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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
1992 Annual Access Tariff Filings)

CC Docket No. 92-141/

ORIGINAL
FILE

REPLY TO OPPOSITION

U S WEST Communications, Inc. ("U S WEST"),¹ through counsel and pursuant to Section 1.106(h) of the Federal Communications Commission's ("Commission") rules,² hereby files its reply to American Telephone and Telegraph Company's ("AT&T") opposition³ to U S WEST's petition for partial reconsideration ("petition")⁴ of the Common Carrier Bureau's ("Bureau") 1992 Annual Access Charge Order.⁵

I. INTRODUCTION

In its petition, U S WEST sought reconsideration of the Bureau's finding that local exchange carriers ("LEC") subject to price cap regulation allocate sharing amounts to all price cap

¹U S WEST is a common carrier provider of exchange access and exchange telecommunications services.

²47 C.F.R. § 1.106(h).

³Opposition of AT&T, filed herein on Aug. 4, 1992 ("AT&T Opposition").

⁴Filed herein on July 22, 1992.

⁵1992 Annual Access Tariff Filings; National Exchange Carrier Association; Universal Service Fund and Lifeline Assistance Rates, CC Docket No. 92-141, Transmittal No. 495, Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation, DA 92-841, rel. June 22, 1992 ("1992 Annual Access Charge Order").

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baskets "based on the proportion of total revenue in each basket to total interstate revenue."⁶ U S WEST argued that the Bureau's finding was an unreasonably narrow interpretation of the cost-causation requirement contained in the Commission's price cap Order on Reconsideration.⁷ U S WEST noted that the Commission did not find it necessary "to specify a particular method of reflecting 'cost causation'" in its Price Cap Recon. Order and that the Bureau should not do so in the instant tariff proceeding.⁸ U S WEST observed that there are numerous cost-causative approaches to sharing which support the Commission's price cap goals.⁹ U S WEST went on in its petition to describe one alternative cost-causative method of allocating any LEC sharing amounts.¹⁰

AT&T opposes U S WEST's petition on two grounds. First, AT&T claims that U S WEST's petition should be denied because it is a late-filed petition for reconsideration of the

⁶1992 Annual Access Charge Order at ¶ 5.

⁷Petition at 2. See also Policy and Rules Concerning Rates for Dominant Carriers, Order on Reconsideration, 6 FCC Rcd. 2637 (1991) ("Price Cap Recon. Order"), pet. for rev. pending sub nom. Nat. Rural Telecom Assoc. v. F.C.C., No. 91-1300 (D.C. Cir. filed June 26, 1991).

⁸Petition at 2 (citing Price Cap Recon. Order, 6 FCC Rcd. at 2689 ¶ 113).

⁹Id. at 2-3.

¹⁰Id. at 3.

LEC Price Cap Order.¹¹ Second, AT&T asserts, even if U S WEST's petition were timely, "the proposal [alternative discussed] is inconsistent with fundamental policy considerations underlying the LEC price cap plan."¹² As U S WEST demonstrates below, both of AT&T's arguments are without merit.

II. AT&T ERRS IN ITS CLAIM THAT U S WEST'S PETITION IS AN UNTIMELY PETITION FOR RECONSIDERATION OF THE LEC PRICE CAP ORDER

As AT&T well knows, the Commission required LECs to apportion sharing amounts on a cost-causative basis¹³ but did not specify any particular method for reflecting cost causation in its Price Cap Recon. Order.¹⁴ U S WEST did not object to the Commission's cost-causation requirement when the price cap Order was adopted, nor does it object to this requirement in its instant petition. What U S WEST does object to and the issue that is the basis of U S WEST's petition -- is the Bureau's unreasonably narrow interpretation of the cost-causation requirement in its 1992 Annual Access Charge Order.¹⁵ In its Order, the Bureau required LECs to use a revenue-based allocator

¹¹AT&T Opposition at 2-4. See also Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 5 FCC Rcd. 6786 (1990) ("LEC Price Cap Order"), recon. denied, 6 FCC Rcd. 2637 (1991).

¹²AT&T Opposition at 4.

¹³47 C.F.R. § 61.45(d)(4).

¹⁴Price Cap Recon. Order, 6 FCC Rcd. at 2689 ¶ 113.

¹⁵U S WEST Petition at 2.

to apportion sharing amounts.¹⁶

Clearly, this is a significant step beyond a mere cost-causation requirement for apportioning sharing amounts. While AT&T may find fault with the alternative that is discussed in U S WEST's petition, it cannot deny that there is more than one cost-causative alternative that complies with the Commission's price cap rules.¹⁷ As such, there is no merit to AT&T's claim that U S WEST's petition is an untimely petition for reconsideration of the LEC Price Cap Order. U S WEST is asking the Bureau to reconsider its action in the 1992 Annual Access Charge Order and no more.

III. U S WEST'S PROPOSAL TO ALLOW LECS TO "BUY DOWN" ANY OUTSTANDING AMORTIZATIONS DOES NOT CONFLICT WITH THE POLICY CONSIDERATIONS UNDERLYING PRICE CAP REGULATION

AT&T claims that U S WEST's proposal to allow LECS to apply sharing amounts to reducing outstanding amortizations is at odds with the Commission's price cap policies. In support of this assertion, AT&T contends that: 1) LEC amortizations may not be borne by customers;¹⁸ 2) U S WEST has no current amortization being charged to customers against which to apply a sharing

¹⁶The Bureau required LECS to allocate sharing amounts to all price cap baskets "based on the proportion of total revenue in each basket to total interstate revenue." 1992 Annual Access Charge Order at ¶ 5.

¹⁷47 C.F.R. § 61.45(d)(4).

¹⁸AT&T Opposition at 5.

amount;¹⁹ and 3) application of sharing amounts to reducing amortizations would not satisfy the Commission's requirement that sharing amounts be allocated in a cost-causative manner.²⁰

U S WEST agrees with AT&T that all amortizations may not be borne by customers. However, U S WEST's proposal is only directed at reducing those amortizations which the Commission treats as exogenous costs under price cap regulation. In retrospect, U S WEST recognizes that it should have been more explicit on this point in its petition. Under U S WEST's proposal, a LEC could apply sharing amounts to reduce an outstanding amortization that had been given exogenous cost treatment under price cap rules. The application of sharing amounts would lead to a one-time reduction in the remaining amount to be amortized and a permanent reduction in the PCI. Thus, customers would always receive the full benefits of sharing.

U S WEST also agrees with AT&T's assertion that U S WEST has no current amortizations against which sharing amounts could be applied. This in no way makes U S WEST's proposal any less worthy than it would be if such amortizations existed at the present time. In fact, it allows the Bureau to evaluate the merits of U S WEST's proposal without undue pressure to act in the immediate future. U S WEST is proposing this alternative as an option -- not as the only cost-causative way to

¹⁹Id.

²⁰Id. at 6.

apportion sharing amounts.

U S WEST disagrees with AT&T's assertion that application of sharing amounts to reduce outstanding amortizations would not comply with the Commission's cost-causation requirement. In U S WEST's proposal the only amortizations that could be reduced would be those qualifying for exogenous treatment under the price cap rules. LECs already have a requirement to apportion exogenous cost changes in a cost-causative manner.²¹ Application of sharing amounts to reduce amortizations eligible for exogenous cost treatment would have no effect on how these exogenous costs are allocated among the price cap baskets. These exogenous costs would be allocated in the same manner as they would in the absence of sharing. As such, there is no merit to AT&T's argument that U S WEST's amortization "buy down" proposal does not comply with the Commission's cost-causation requirement.

IV. CONCLUSION

As the foregoing demonstrates, AT&T's arguments opposing U S WEST's petition are without merit. U S WEST urges the Bureau to modify its finding on apportioning sharing amounts

²¹47 C.F.R. § 61.45(d)(4).

and allow U S WEST and other LECs to employ U S WEST's amortization "buy down" proposal in addition to other cost-causative approaches.

Respectfully submitted,

U S WEST Communications, Inc.

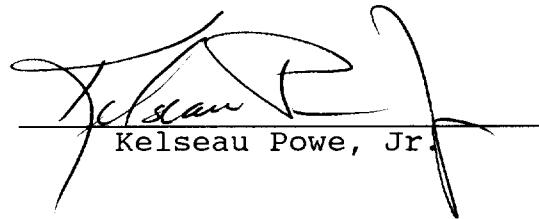
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August 18, 1992

CERTIFICATE OF SERVICE

I, Kelseau Powe, Jr., do hereby certify on this 18th day of August, 1992, that I have caused a copy of the foregoing **REPLY TO OPPOSITION** to be served, via first class United States mail, postage prepaid, to the persons named on the attached service list.



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